Mortgage Rates Fall on Fed Cut Speculation

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By Kate Wood

The average 30-year mortgage rate dipped to the lowest rate in months as markets increasingly expect a Federal Reserve rate cut in September.

NEW YORK — Mortgage rates moved a little lower this week, resuming the downward trend we've seen as summer ends. The average rate on a 30-year fixed-rate mortgage fell nine basis points to 6.59%, according to rates provided to NerdWallet by Zillow. A basis point is one one-hundredth of a percentage point.

Current mortgage interest rates might not seem too impressive, but rates are about the lowest they've been in five months.

Powell sets stage for rate cut

The event that provided the most rate-shifting momentum over the past seven days happened on Aug. 22, 2025,when Federal Reserve Chair Jerome Powell gave a speech at the Kansas City Fed's annual symposium in Jackson Hole, Wyoming. The chair's yearly speech often provides insight into where the Fed is headed going into the last three meetings of the year.

Powell's speech touched on several important topics, but if you were looking for hints of a possible rate cut, one section stood out. The July jobs report, which came out at the beginning of this month, sparked concern because job growth slowed way down. But Powell focused on the report's unemployment numbers, which remained fairly stable. There are fewer jobs being added, but we aren't seeing a jump in the number of people looking for work. "This unusual situation suggests that downside risks to employment are rising," Powell said.

Powell wrapped up that rundown by noting that "with policy in restrictive territory, the baseline outlook and the shifting balance of risks may warrant adjusting our policy stance." This might sound about as neutral as it gets, but for Fed watchers this was downright juicy. When the labor market slows too much, the Federal Reserve tends to lower interest rates – the idea is that bringing down the cost of borrowing will encourage hiring.

How low will the Fed go?

Markets read Powell's extremely cautious statement as a ringing endorsement of a rate cut at the Federal Reserve's next meeting in September. The Fed has held the federal funds rate (the short-term borrowing rate that it actually sets) steady since December 2024. Folks waiting for a significant drop in interest rates have been on hold for nine months, and markets are definitely ready for a cut.

The CME FedWatch tool, which tracks market sentiment around Fed cuts, went from a 75% prediction of a September cut one week ago – the day before Powell's speech – to 87% predicting a cut today. We're only talking about a 25-basis-point cut, which is equivalent to one-quarter of a percentage point. But markets are hungry enough for lower rates that a quarter of a percent looks delicious.

Another reason not to celebrate just yet: The Federal Reserve is extremely data-driven, and there are some significant data drops coming up before the September meeting. There's the Personal Consumption Expenditures index; the August jobs report on Sept. 5; and the Consumer Price Index, on Sept. 11. That means the central bankers will have plenty of updated info on the labor market and inflation before they meet again.

What this means for mortgage rates

A Fed rate cut will set the stage for lower interest rates for short-term borrowing. But longer-term loans – notably, mortgages – tend to take their cues from the markets. When there's a lot of anticipation of a rate cut or a rate hike, mortgages have a tendency to beat the Fed to that new level.

That's pretty much what we're seeing now. This week's 30-year

fixed averaged 6.59%. The week ending July 31, just after the July Fed meeting, the weekly average was 6.87%. So we've already seen the average rate on a 30-year, fixed-rate mortgage fall 28 basis points – a little over the Fed's hoped-for cut. If you've been waiting for mortgage rates to drop, they kind of already did.

That said, in addition to the definite-possible rate cut, we'll be getting more from the Fed's next meeting. The Sept. 16-17 meeting includes a Summary of Economic Projections, which gives us the central bankers' predictions through the end of the year and beyond. If the SEP gets markets riled up about additional rate cuts at the Fed's October or December meetings, that buzz could drive down mortgage rates.